



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

CONGRESSMAN JIM SAXTON

PRESS RELEASE

For Immediate Release
January 30, 2003

Press Release #108-6
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MUTUAL FUND SHAREHOLDER RELIEF LEGISLATION INTRODUCED

WASHINGTON, D.C. – Legislation to provide a tax deferral for middle-income shareholders on mutual fund capital gain distributions was introduced yesterday, Congressman Jim Saxton announced today. The legislation, H.R. 496, provides a deferral of taxes on capital gain distributions of up to \$3,000 for individuals, and \$6,000 for joint filers. Similar legislation was cosponsored by 70 members of the House in the previous Congress.

“The current tax treatment of mutual fund shareholders regarding capital gain distributions is illogical and unfair,” Saxton said. “Under current law, mutual fund shareholders must pay taxes on capital gains realized by mutual funds even if they have not sold one mutual fund share. Furthermore, they pay such taxes even when the value of their shares has plummeted, as in recent years.

"In other words, when mutual funds generate huge capital gains, the shareholders get slammed even when their own unsold shares have declined in value. And when the mutual funds incur huge capital losses, as they have recently, these losses cannot be passed on to shareholders. This is a ‘heads I win, tails you lose’ situation for the government.

“My legislation would remedy this inequity by providing a tax deferral on capital gain distributions large enough to cover all distributions of over 90 percent of shareholders. Mutual funds are an important saving and investment vehicle for middle-income Americans, and the punitive tax treatment of these taxpayers is unnecessary and counterproductive,” Saxton concluded.

For a copy of the JEC study, *The Taxation of Mutual Fund Investors: Performance, Saving and Investment* (April 2001), please visit the JEC website at www.house.gov/jec.